

1 (Whereupon, conclusion of in
2 camera proceedings.)

3 MR. DOSHI: Your Honor, at this time, I'd like
4 to move for the admission of the first cross exhibit
5 we distributed, which was Data Request -- the
6 response to Data Request AG 15.06 which we'd like to
7 mark as AG Cross Exhibit 1.

8 JUDGE DOLAN: Along with 10.07?

9 MR. DOSHI: Oh, yes, I'm sorry. It also
10 includes the response to AG Data Request 10.07.

11 JUDGE DOLAN: Any objections?

12 MS. KLYASHEFF: We do not object to Page 1 the
13 response to 15.06.

14 We object to 10.07 for the reasons
15 stated in the response, although we did answer the
16 response notwithstanding those objections as to
17 breathe and speculation, we do object to admitting
18 them into the record.

19 JUDGE DOLAN: All right. Subject to that
20 objection, I'm going to admit AG Cross Exhibit 1 into
21 the record.

22 (Whereupon, AG Cross

1 Exhibit No. 1.0 was
2 admitted into evidence.)

3 MR. DOSHI: Thank you, your Honor. When we're
4 able to print the revised version of Salvatore
5 Marano's testimony from the 2009 case, could we move
6 at that time for admission of that as a cross
7 exhibit.

8 JUDGE DOLAN: You never asked any questions
9 about it.

10 MR. DOSHI: I think Mr. Schott answered a
11 question about whether Peoples Gas hired Mr. Marano
12 for certain purposes.

13 MS. KLYASHEFF: We object to the admission of
14 the testimony as not relevant to the proceeding nor
15 relevant to the cross-examination of Mr. Schott.

16 MR. DOSHI: Your Honor, Mr. Schott raised the
17 topic of Mr. Marano's testimony in his own testimony
18 so we'd like to --

19 JUDGE DOLAN: But not the whole document, he
20 did not, no. If you want to do it for limited
21 purposes of what he testified to, I will allow that
22 but I'm not going to take someone's testimony from

1 another docket and put it into this record.

2 MR. DOSHI: All right. Thank you, your Honor.

3 JUDGE DOLAN: Go ahead.

4 CROSS-EXAMINATION

5 BY

6 MR. REDDICK:

7 Q Good morning, Mr. Schott. My name is
8 Conrad Reddick. I'm representing the City of
9 Chicago.

10 A Good morning, Mr. Reddick.

11 Q You are currently part of the senior
12 management of Integrys; correct?

13 A Yes, I am.

14 Q And Integrys is the owner of the North
15 Shore and Peoples Gas utilities?

16 A That is correct.

17 Q In the operations of your subsidiary
18 utilities, do those utilities dictate their budgets
19 and dividend policies independently of Integrys?

20 A I'm sorry, could you repeat the question?

21 Q Do the North Shore and Peoples Gas
22 utilities dictate their own budget and dividend

1 policies independently of Integrys?

2 A No.

3 Q And under the proposed reorganization,
4 Integrys would be wholly owned by WEC; correct?

5 MS. KLYASHEFF: Objection as to the scope of
6 Mr. Schott's testimony.

7 JUDGE DOLAN: For that limited purpose, I'll
8 overrule the objection.

9 THE WITNESS: And it's a little more
10 complicated than that. I would say that Peoples Gas
11 and North Shore Gas will be indirect subsidiaries of
12 Wisconsin -- what will then be known as WEC Energy
13 Corp.

14 BY MR. REDDICK:

15 Q But Integrys will remain the direct holding
16 company of the utilities?

17 A There will be an indirect holding co- --
18 it's complicated -- there will be -- the Integrys
19 Energy Group will merge into a new corporation and
20 that new corporation will hold the stock of Peoples
21 Gas and North Shore Gas and that new corporation will
22 be a subsidiary of WEC Energy Group.

1 Q Okay. Does that new entity have a name?

2 A Yes. It will most likely be named Integrys
3 Energy Group.

4 Q Okay. Which will be distinct from today's
5 Integrys?

6 A It's a separate legal -- different legal
7 entity, yes.

8 Q Okay. And do you expect that under the
9 reorganization, the utilities would still be -- let
10 me rephrase that.

11 Under the reorganization, the
12 utilities would nonetheless be effected in their
13 budget and dividend policies by their owners?

14 MS. KLYASHEFF: Objection as both to scope of
15 Mr. Schott's testimony and speculation.

16 MR. REDDICK: Your Honor, Mr. Schott is in a
17 unique position here. He is now senior management in
18 a holding company and in the future may be senior
19 management of a company that is owned by a holding
20 company different from his own. I can't think of
21 anything more relevant than how the reorganization
22 will be taking place and how it will effect the

1 management of the companies.

2 As for the scope of his testimony, he
3 does present himself as the senior management at
4 Integrys and as Mr. Doshi observed, there are very
5 few witnesses here with those perspectives.

6 MS. KLYASHEFF: And as I mentioned in an
7 earlier objection, that does not expand the scope of
8 Mr. Schott's testimony. The fact, yes, he is senior
9 management at Integrys Energy Group, he's testifying
10 as to distinct subject matter.

11 JUDGE DOLAN: If he can answer, I'll overrule
12 the objection.

13 THE WITNESS: Could you repeat the question?

14 MR. REDDICK: I'm not sure which one I stopped
15 on. Could I have the reporter read it back, please.

16 (Record read as requested.)

17 THE WITNESS: If I have a role
18 post-reorganization, I do not know what it is at this
19 time, so I cannot speculate as to what the -- as to
20 what the question asked.

21 BY MR. REDDICK:

22 Q My question wasn't specific to Peoples Gas.

1 You're -- well, you're senior management in holding
2 company. I'm simply asking you how holding companies
3 work.

4 A Well, that wasn't your question. You asked
5 post-reorganization what's going to happen, so you're
6 making -- can you rephrase the question as a
7 hypothetical?

8 Q As a general matter, do holding companies
9 effect the budget and dividend policies of their
10 subsidiaries?

11 A As a general matter -- the experience in
12 the organizations I've worked in, that is the case.
13 I will not say that's true as a true -- I would not
14 going as far as to say that's general practice. It
15 depends on the holding company.

16 Q That's my point. So a change in holding
17 company could change budget and dividend policies of
18 subsidiaries?

19 A Yes.

20 MR. REDDICK: Thank you. That's all.

21 JUDGE DOLAN: Thank you. Do you want a minute
22 to -- any redirect or you want to...

1 MS. KLYASHEFF: May we have a few minutes
2 please.
3 JUDGE DOLAN: We'll go off the record.
4 (Break taken.)
5 MS. KLYASHEFF: We have no questions.
6 JUDGE DOLAN: Thank you, Mr. Schott, you're
7 excused.
8 MR. EIDUKAS: Your Honor, can we have a general
9 break?
10 JUDGE DOLAN: Yes.
11 (Break taken.)
12 MR. EIDUKAS: The Joint Applicants to would
13 call on Mr. Allen Leverett to the stand.
14 JUDGE DOLAN: All right. Mr. Leverett, please
15 raise your right hand.
16 (Witness sworn.)
17 JUDGE DOLAN: You are going to need to make
18 sure you talk into the microphone.
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1 ALLEN LEVERETT,
2 called as a witness herein, having been first duly
3 sworn, was examined and testified as follows:
4 DIRECT EXAMINATION
5 BY
6 MR. EIDUKAS:
7 Q Good morning, Mr. Leverett, could you
8 please state your name and spell your last name for
9 the record?
10 A My name is Allen Leverett. The spelling is
11 L-e-v-e-r-e-t-t.
12 Q And by whom are you employed?
13 A By Wisconsin Energy Corporation.
14 Q And in what capacity?
15 A I'm the president of the corporation.
16 Q And could you state for the record your
17 business address?
18 A 231 West Michigan Street, Milwaukee,
19 Wisconsin, 53203.
20 Q Thank you.
21 And, Mr. Leverett, did you prepare or
22 have prepared under your direct supervision or

1 control direct testimony on behalf of Wisconsin
2 Energy Company in this proceeding which consisted of
3 a narrative exhibit, Joint Applicants' Exhibit 1.0
4 and three attachments JA Exhibits 1.1, 1.2 and 1.3?

5 A I did.

6 Q Now, if I were to ask you the questions
7 that appear in that direct testimony on behalf of
8 Wisconsin Energy, would your answers today be the
9 same and would they be true and correct subject to
10 any revisions or corrections you made in your
11 rebuttal or surrebuttal testimonies?

12 A Yes, they would.

13 MR. EIDUKAS: And that -- for the record, that
14 testimony was filed on e-Docket on August 6th of
15 2014.

16 BY MR. EIDUKAS:

17 Q And turning your rebuttal testimony, did
18 you prepare or have prepared under your direct
19 supervision or control rebuttal testimony on behalf
20 of Wisconsin Energy Company, which was filed on
21 e-Docket on December 18th, 2014 which consisted of a
22 narrative exhibit, Joint Applicants' Exhibit 6.0 and

1 one attachment, Joint Applicants' Exhibit 6.1?

2 A I did.

3 Q And if I were to ask you the questions that
4 appear in your rebuttal testimony on behalf of
5 Wisconsin Energy, would your answers be the same and
6 would they be true and correct, subject to any
7 revisions or corrections you made in your surrebuttal
8 testimony?

9 A Yes, they would.

10 Q And I'm turning to your supplemental
11 rebuttal testimony, which was filed on e-Docket
12 January 22nd, 2015. Did you prepare or have prepared
13 under your direct supervision or control that
14 supplemental rebuttal testimony on behalf of
15 Wisconsin Energy consisting of a narrative exhibit,
16 Joint Applicants' Exhibit 12.0 public and
17 confidential versions?

18 A I did.

19 Q And if I were to ask you the questions that
20 appeared in your supplemental rebuttal testimony on
21 behalf of Wisconsin Energy, would your answers today
22 be the same and would they be true and correct

1 subject to any revisions or corrections you made in
2 your supplemental reply testimony?

3 A Yes.

4 Q And turning to your supplemental reply
5 testimony submitted on e-Docket January 29th, 2015,
6 did you prepare or have prepared under your direct
7 supervision or control supplemental reply testimony
8 on behalf of Wisconsin Energy Company consisting of a
9 narrative exhibit, Joint Applicants' Exhibit 14.0,
10 public and confidential versions and one attachment,
11 Joint Applicants' Exhibit 14.1?

12 A Yes, I did.

13 Q And if I were to ask you the questions that
14 appear in your supplemental reply testimony on behalf
15 of Wisconsin Energy, would your answers today be the
16 same and will they be true and correct subject to any
17 revisions or corrections you made in your surrebuttal
18 testimony?

19 A Yes.

20 Q And, finally, turning to your surrebuttal
21 testimony, which was submitted on e-Docket on
22 February 5th, 2015, did you prepare or have prepared

1 under your direct supervision or control surrebuttal
2 testimony on behalf of Wisconsin Energy consisting of
3 a narrative -- Joint Applicants' Exhibit 15.0 and one
4 attachment, Joint Applicants' Exhibit 15.1 revised --
5 the revised version being submitted on e-Docket
6 February 13th of 2015?

7 A Yes, I did.

8 Q And if I were to ask you the questions that
9 appear in your surrebuttal testimony on behalf of
10 Wisconsin Energy, would your answers today be the
11 same and would they be true and correct?

12 A Yes, they would.

13 Q And do you have any changes or corrections
14 to any of those documents we just listed?

15 A No, I do not.

16 Q And do you have any other changes or
17 corrections to any of your testimony?

18 A No, I do not.

19 MR. EIDUKAS: Your Honor, I move the admission
20 of the following items into evidence subject to
21 cross-examination: Joint Applicants' Exhibits 1.0,
22 1.1, 1.2 and 1.3; Joint Applicant's Exhibits 6.0 and

1 6.1; Joint Applicants' Exhibit 12.0, public and
2 confidential versions; Joint Applicants' Exhibit
3 14.0, public and confidential versions; Joint
4 Applicants' Exhibit 14.1 and Joint Applicants'
5 Exhibits 15.0 and 15.1 revised.

6 JUDGE DOLAN: Any objections?

7 (No response.)

8 JUDGE DOLAN: Hearing none, those exhibits will
9 be admitted into the record.

10 (Whereupon, JA Exhibits 1.0,
11 1.1, 1.2 and 1.3, 6.0, 6.1, 12.0,
12 public and confidential versions;
13 Exhibit 14.0, public and confidential
14 versions; Exhibit 14.1 and Exhibits
15 15.0 and 15.1 revised were
16 admitted into evidence.)

17 MR. EIDUKAS: Mr. Leverett is tendered for
18 cross-examination.

19 JUDGE DOLAN: Okay. Miss. Hicks?

20

21

22

1 CROSS-EXAMINATION

2 BY

3 MS. HICKS:

4 Q Good morning, Mr. Leverett.

5 A Good morning.

6 Q My name is Christie Hicks and I represent
7 the Citizens Utility Board.

8 As a preliminary matter, is it correct
9 that the QUIP merger parent entity will be referred
10 to as WEC, W-E-C, Energy Group?

11 A Yes. It's WEC Energy Group.

12 Q Okay. If the merger is approved, what
13 percentage of WEC Energy Group's revenue is projected
14 to come from Illinois-based companies?

15 A I can't say to revenue, but I believe in
16 terms of net income earnings, probably around
17 15 percent I would say. We could certainly get you a
18 more precise number.

19 Q That would great. Thank you.

20 If the merger is approved, do you
21 know, again a ballpark, of what percentage of WEC
22 Energy Group's assets would be Illinois-based?

1 A I think in terms of rate base, it would be
2 a similar percentage, so probably around 15 percent;
3 but, again, we'd be happy to get you a more precise
4 number.

5 Q All right. Thank you.

6 Now, are you familiar with the Peoples
7 Gas Light and Coke Company's obligations regarding
8 AMRP with respect to the Commission's final order in
9 ICC Docket 12-0511 and 12-0512 consolidated?

10 A Could you tell me what those dockets were,
11 what -- the matter of those dockets.

12 Q Sure. That was the final order in the
13 North Shore/Peoples Gas 2012 rate cases.

14 A I haven't reviewed those rate case orders
15 in detail.

16 Q So you're not familiar with the Peoples Gas
17 Light and Coke Company's existing obligations
18 regarding AMRP?

19 A No, I didn't say that. I said I hadn't
20 reviewed those rate case orders in detail.

21 Q Okay. Are you familiar with the Commission
22 ordered obligations from those rate orders with

1 respect to AMRP?

2 A I don't have detailed information on those
3 obligations.

4 Q Okay. If I could have you turn to your
5 Exhibit 15.1 revised and if I could direct you to
6 Commitment No. 9 on Page 2.

7 A In the revised version?

8 Q In the revised version.

9 A Yes.

10 Q Are you aware that Peoples Gas Light and
11 Coke Company is already required to do most, if not
12 all, of the things listed within that commitment
13 pursuant to the 2012 Commission order?

14 A No.

15 Q You're not aware of that?

16 A No, I haven't reviewed that order in
17 detail.

18 Q Okay. So are you aware that Peoples Gas
19 Light and Coke Company is required to meet the
20 obligations listed in Commitment 10 pursuant to that
21 rate order?

22 A I don't know.

1 Q Okay. And if I could direct you back to
2 Commitment 9 for just one moment. Is it correct that
3 this commitment applies only to the final and not the
4 Interim Report?

5 A It says with respect to each recommendation
6 contained in the final report of the investigation of
7 Peoples Gas' AMRP. So, yes, my reading of this would
8 be that it would apply to the final report from the
9 Commission's consultant.

10 Q And it does not apply to the Interim
11 Report?

12 A It applies to the final report.

13 Q Do you know whether it applies to the
14 Interim Report?

15 A I only know that this applies to the final
16 report.

17 MS. HICKS: All right. And then I have what
18 I've marked as CUB Cross Exhibit 1.

19 (Whereupon, CUB Cross
20 Exhibit No. 1 was
21 marked for identification.)

22 BY MS. HICKS:

1 Q Mr. Leverett, do you recognize the document
2 I've just handed you?

3 A Yes. I believe it's one of the data
4 requests that I was responsible for. I mean, you can
5 verify that, but I believe that's right.

6 Q All right. So the information in this
7 response is true and correct to the best of your
8 knowledge?

9 A It is.

10 MS. HICKS: That's all the questions that I
11 had.

12 I'd like to move for the admission of
13 CUB Cross Exhibit 1 at this time.

14 JUDGE DOLAN: Any objections?

15 MR. EIDUKAS: No objections.

16 JUDGE DOLAN: CUB Cross Exhibit 1 will be
17 admitted into the record.

18 (Whereupon, CUB Cross
19 Exhibit No. 1 was
20 admitted into evidence.)

21 MS. HICKS: Thank you.

22 MR. REDDICK: May I, your Honor?

1 JUDGE DOLAN: Proceed. I'm sorry.

2 CROSS-EXAMINATION

3 BY

4 MR. REDDICK:

5 Q Good morning, Mr. Leverett. My name is

6 Conrad Reddick. I represent the City of Chicago.

7 I'd like to spend a little time with you to

8 understand the commitment that I think you discussed

9 in your rebuttal testimony in the comprehensive list

10 in Joint Applicants' Exhibit 15.1, it's Commitment

11 No. 9.

12 You're familiar with that one?

13 A Yes.

14 Q The beginning portion of that describes the

15 source of certain recommendations and if I'm correct,

16 you're referring to what's been called Liberty

17 Report?

18 A In this case it will be the final Liberty

19 report.

20 Q Yes.

21 A Yes.

22 Q And with respect to the recommendations in

1 that report, the first thing that happens, as I
2 understand it, is that Peoples Gas will make a
3 determination whether a recommendation is accepted or
4 modified, basically they determine how they're going
5 to react to each recommendation?

6 A Yes.

7 Q And how long do you think that process
8 would take?

9 A I don't know.

10 Q Who would make that determination? Is this
11 a WEC decision at your level or is this an operating
12 company decision?

13 MR. EIDUKAS: I'll just object to the extent
14 the question calls for a legal conclusion or
15 speculation.

16 MR. REDDICK: The question was practical, not
17 legal.

18 JUDGE DOLAN: I'll overrule.

19 If you can answer.

20 THE WITNESS: My expectation is the senior
21 management, Peoples Gas, would have the primary
22 responsibility for determining this; but I would also

1 expect if there were, you know, a significant
2 question, they would at least get input from the
3 holding company.

4 BY MR. REDDICK:

5 Q I believe Mr. Giesler is the AMRP project
6 manager for Peoples or for Integrys; am I correct?

7 A I'm not sure.

8 Q Do you have any idea who can answer this
9 question?

10 A I'm sorry, which question?

11 Q How long it would take to make an
12 assessment of the recommendations?

13 A I don't.

14 Q So we have no indication in the record how
15 long it would take?

16 A I'm not aware of any.

17 Q Okay. And the next step as -- let me
18 backup. Was this commitment developed by you or by
19 the operating people at Peoples Gas?

20 A This commitment was developed between the
21 Joint Applicants. So specifically, you know, my
22 company, Integrys, with input from the Peoples Gas

1 management.

2 Q Who took the lead on this?

3 A Well, I'm responsible for this exhibit, so
4 I have the lead.

5 Q There's a second part of this commitment
6 that deals with the possibility of a disagreement
7 between the Commission Staff and Peoples Gas.

8 Do you see that portion?

9 A Yes.

10 Q As a practical matter, how did you expect
11 that that will work? Will it be a written submission
12 to the Staff or approval of your position or is it
13 discussions with Staff? How do you see that working?

14 A Well, I mean, my view would be that before
15 you would get to a point of any written submissions,
16 the staff at Peoples Gas would try to work things out
17 with the Commission Staff before the need for any
18 written submissions, but I'm just speculating. If
19 they couldn't work that out in conversations, I would
20 suppose there would be some written submissions, but
21 I would expect them to try to avoid that to try to
22 work it out.

1 Q Was this question discussed among the Joint
2 Applicants when you were putting this together or is
3 this just your opinion?

4 A It's my opinion as far as procedure of how
5 you would address something like this. This is --
6 yeah, what I just gave you is my opinion on how you
7 would address that procedurally.

8 Q And did you discuss that particular
9 approach with the management at Integrys or Peoples
10 Gas?

11 A Yes, I believe we did.

12 Q There is another process in the event that
13 those discussions do not prove fruitful and it
14 requires a petition to obtain a Commission
15 determination.

16 At what point do you think that
17 Peoples Gas or Integrys or WEC would resort to it a
18 petition to the Commission?

19 A Well, I suppose if the Company couldn't
20 reach agreement with the Staff, they would have to
21 make this petition.

22 Q And how long would you give it before you

1 resort to a petition?

2 A I really can't answer that. I don't know
3 what the specific issue is that's being addressed.

4 Q And how long do you think it would take to
5 resolve the question once a petition is submitted?

6 MR. EIDUKAS: Objection. Calls for
7 speculation.

8 JUDGE DOLAN: Sustained.

9 BY MR. REDDICK:

10 Q So as far as you know, there is no maximum
11 time period that could be consumed by this process?

12 A I don't know what the time period would be
13 for the process that you're describing at the end for
14 a petition process. I don't know what the time
15 period would be.

16 Q And to the best of your knowledge, has any
17 Joint Applicants' witness provided any kind of a time
18 line for this process?

19 A I'm not aware of any.

20 Q Commitments 10 and 11 provide additional
21 detail for the commitment respecting recommendations
22 in 9; and with respect to Commitment 11, could you

1 tell me when the first report to the Commission
2 regarding AMRP will be made by WEC in the event that
3 reorganization is approved?

4 A Well, I believe, if you -- if I may, if you
5 look at Condition 26, our chief executive officer
6 would have to give a report on an annual basis about
7 the status of our compliance with all of these. So I
8 think if you're asking me when would be the first
9 time someone from WEC Energy Group would have to give
10 a report, I believe, sir, it would be -- the first
11 time that the report that's described in 26 is given.

12 Q If I read Commitment 26 correctly, it has
13 to do with compliance with the order in this docket.
14 My question was specifically the first report
15 regarding AMRP.

16 A From whom? From Peoples or from WEC
17 Energy?

18 Q Well, let's take them one at a time. From
19 WEC.

20 A Well, I believe the first report from
21 WEC Energy Group would be in connection with
22 Condition 26. I don't know when the first report

1 would be from Peoples.

2 Q Are you aware of any commitment to report
3 to the Commission before that regarding AMRP?

4 A Well, I believe that Peoples has an ongoing
5 obligation to provide information to the Commission
6 about AMRP. I'm not aware of specific dates at which
7 they're supposed to report.

8 Q If the reorganization is approved, do you
9 agree that there would be no change in the obligation
10 of Peoples Gas regarding reports on AMRP to the
11 Commission?

12 MR. EIDUKAS: I'll object to the extent the
13 question calls for a legal conclusion but...

14 MR. REDDICK: Again, the question is practical
15 as the new owners.

16 JUDGE DOLAN: I'll overrule it. He can answer.

17 THE WITNESS: I'm not aware of any changes in
18 Peoples Gas' obligations to make -- you know, to get
19 information about AMRP. I'm not aware of any changes
20 in their obligations as a result of these
21 reorganization -- or this proposed reorganization.

22

1 BY MR. REDDICK:

2 Q Does WEC have any intention to make a
3 change?

4 A No.

5 MR. REDDICK: Thank you.

6 JUDGE DOLAN: Miss Lusson indicated that she
7 has about an hour and a half, so I think this will be
8 a good time to take a break for lunch and then how
9 about quarter to 1:00, how about 12:45? We'll come
10 back at 12:45. Thank you.

11 (Whereupon, a luncheon
12 recess was taken to resume
13 at 12:45 p.m.)

14 (Change of reporter.)

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1 AFTERNOON SESSION

2 JUDGE DOLAN: Mr. Leverett, just to remind, you
3 you're still under oath.

4 CROSS EXAMINATION

5 BY

6 MS. LUSSON:

7 Q Good afternoon, Mr. Leverett.

8 A Good afternoon.

9 Q My name is Karen Lusson from the Attorney
10 General's office, and I'm here on behalf of the
11 People of the State of Illinois.

12 A Okay.

13 Q I would first like to go through your
14 description of the merger itself in your direct
15 testimony.

16 Now, Mr. Schott gave a quick summation
17 of what's going to happen with Integrys, but I would
18 sort of like to go back to the beginning and talk
19 about Wisconsin Energy, your company.

20 Now, as I understand your testimony,
21 it's a holding company with a number of subsidiaries,
22 correct?

1 A That's correct.

2 Q And those subsidiaries include Wisconsin
3 Electric Power Company or WEPCO and Wisconsin Gas; is
4 that correct?

5 A Yes, ma'am.

6 Q And both do business as Wisconsin Energy in
7 the State of Wisconsin?

8 A Actually, they do business as We Energies,
9 but We Energies are the tradename.

10 But you are exactly right the two
11 legal entities are Wisconsin Electric Power Company
12 and Wisconsin Gas.

13 Q Now, it's correct, isn't it, that neither
14 Wisconsin Energy or any of its gas distribution and
15 utility subsidiary companies compete with Integrys'
16 gas distribution utilities, which are Peoples Gas and
17 North Shore Gas; would you agree?

18 A They serve different service territories,
19 so they don't compete by that measure certainly given
20 that they serve different service territories.

21 Q In fact, Peoples Gas and North Shore are
22 monopoly utilities, right?

1 MR. EIDUKAS: Object to the extent that calls
2 for a legal conclusion.

3 MS. LUSSON: I'm asking whether a competition
4 exists, so I'm just clarifying that.

5 JUDGE DOLAN: Overruled.

6 THE WITNESS: So, yes, I guess, as a layperson,
7 I would say the utilities that you just mentioned are
8 regulated public utilities.

9 BY MS. LUSSON:

10 Q And Wisconsin Gas, which I think you just
11 indicated does business as We Energy is a regulated
12 utility in the State of Wisconsin?

13 A It is.

14 Q And in that regard does not compete with
15 Peoples Gas or North Shore; would you agree?

16 A Yes.

17 Q Now, again, as I understand your testimony,
18 the proposed merger would create WEC Energy Group, a
19 gas and electric utility serving the Midwest with
20 Integrys becoming a subsidiary of WEC Energy Group,
21 similar to Wisconsin Electric and Wisconsin Gas being
22 subsidiaries to Wisconsin Energy today; is that

1 correct?

2 A Yes. Integrys Energy Group will be a
3 first-tier subsidiary of WEC Energy Group, yes.

4 Q Then referencing Page 12 of your
5 Exhibit 1.0, Lines 249 to 255.

6 So I would like to go over what
7 companies remain after the proposed transaction is
8 closed.

9 First, it's correct that as the
10 proposed merger's closing, the existing Integrys
11 holding company merges with a new subsidiary
12 Wisconsin Energy will create and Integrys will be the
13 surviving in that merger; is that right?

14 A Yes.

15 Q And Integrys would then merge into a second
16 Wisconsin Energy corporation subsidiary with that
17 unnamed second merger subsidiary surviving that
18 merger; is that right?

19 A Yes.

20 Q And is there any change on that in terms of
21 the name of that second merger subsidiary? Has there
22 been a name selected or is it still an unnamed second

1 merger subsidiary?

2 A So I think just to refer directly to the
3 testimony. So at Lines 253 and 254, so the entity
4 that's called "subsequent merger subsidiary" and will
5 stand in the shoes of Integrys, as I described in
6 Line 254, my expectation is that that would be called
7 Integrys Energy Group. That subsequent merger
8 subsidiary.

9 Q And I think you just indicated that that
10 second subsequent merger subsidiary will stand in the
11 shoes of Integrys and will have Peoples Gas and North
12 Shore Gas, along with other existing Integrys
13 subsidiaries under it; is that right?

14 A Yes, that's what I outline in Line 255,
15 yes. Exactly right.

16 Q So will it be the WEC, that is Wisconsin
17 Energy Corporation board of directors that approves
18 Peoples Gas and North Shore capital expenditure
19 budgets for the second WEC subsidiary that we have
20 just been talking about?

21 A Well, I would expect that the board of
22 Peoples would directly approve the capital budgets of

1 Peoples.

2 Q And would the board of the second
3 merger -- subsequent merger subsidiary have any say
4 in the capital expenditures of Peoples Gas
5 construction dollars?

6 A I don't know.

7 Q In terms of the negotiations that occurred
8 between Integrys and WEC -- when I say "WEC" if
9 that's an agreeable term for you, Wisconsin Energy
10 Corporation and WEC?

11 A You can use those interchangeably, that's
12 fine.

13 Q Okay. In terms of the negotiations that
14 occurred between Integrys and WEC prior to last
15 summers's announced plan acquisition, did either
16 Mr. Schott or Mr. Giesler participate in those
17 negotiations on behalf of Integrys?

18 A Yes.

19 Q And if you can recall, when did those
20 negotiations begin?

21 A I don't recall, but I guess it would be
22 laid out in a proxy statement that we filed with the

1 SCC.

2 Q Which was in what month and year, if you
3 recall?

4 A Well, the merger -- the transaction, the
5 proposed transaction was announced in June. I
6 imagine the proxy would have been filed in November
7 -- or no. I'm sorry. It would have been filed in
8 August. And then the shareholders meetings were in
9 November.

10 Q So in June of 2014, the proposed
11 acquisition was announced?

12 A Auh-huh.

13 Q You're saying in August of 2014, the proxy
14 statement was filed. My question is:

15 Do you know when those negotiations
16 between Integrys and WEC began prior to the
17 announcement in June? Was it 6 months? A year?

18 A I don't know the precise date.

19 Again, that would have been laid out
20 in the proxy, but I would imagine that the
21 discussions started in December.

22 Q Of 2013?

1 A Yes.

2 Q Turning to your testimony at Lines 15, you
3 describe your duties as president of Wisconsin
4 Energy.

5 A I'm sorry. Which lines again? 9?

6 Q 9 through 15.

7 A I'm there. Go ahead.

8 Q Okay. Now, is it correct that you do not
9 have direct oversight over the day-to-day operations
10 of Wisconsin Gas?

11 A Yes, that's correct.

12 Q Now, you indicate your educational
13 background is in Electrical Engineering; is that
14 correct?

15 A Yes.

16 Q And do you personally have any experience
17 overseeing gas utility infrastructure investment
18 programs?

19 A I do not have any personal experience.

20 Q Does the individual who oversees the gas
21 infrastructure program in the City of Milwaukee for
22 Wisconsin Energy report to you?

1 A No.

2 Q And what, if you know, are your employment
3 plans after all of the merger transactions that you
4 described in your direct testimony close?

5 Do you have the expectation of
6 continuing in your current role as president of
7 Wisconsin Energy?

8 A No one has made any commitments to me, so I
9 guess we'll see what happens.

10 Q Is there any uncertainty associated with
11 your position as of today?

12 A I'm not aware of any, but the board hasn't
13 decided.

14 Q Have you been told that there is a
15 possibility that the board may decide that your
16 employment will change post-merger transaction?

17 A It's up to the board. I can't say.

18 Q Okay. And will you have any direct control
19 over the operations of the second merger subsidiary;
20 i.e., sort of the new, I guess, holding company of
21 Peoples Gas and North Shore?

22 A Can you explain what you mean by

1 "operations of a holding company."

2 Q Well, my question is:

3 Were the people running Peoples Gas
4 and North Shore gas report to you as Wisconsin Energy
5 president, assuming you continue in that position?

6 A Oh, I don't know. I mean, it will up to
7 the board to set up the management structure that
8 they want to set up.

9 Q Okay. So sitting here today, you don't
10 know whether you will have direct oversight over what
11 happens in the operations of Peoples Gas and North
12 Shore Gas?

13 A I don't know if I'll personally have that
14 responsibility.

15 Q I want to go over, if we could, your
16 commitment that you described to a two-year rate
17 freeze. I believe that's mentioned at Page 21 of
18 your direct testimony.

19 Now, as I understand it, your
20 commitment is that any rate increase request would
21 not become effective any earlier than two years after
22 the transaction closes. Is that a fair restatement

1 of your position?

2 A Yeah, and if I could please just to refer
3 to my exhibit, I think it's 15.1 in the surrebuttal
4 testimony.

5 So this would be Commitment 1.

6 Q Okay.

7 A So it says the gas companies will not seek
8 increases of their base rates set in Docket Numbers,
9 and it gives the Docket Numbers, so I assume those
10 would be the what we're calling the 2015 rate case,
11 that will become effective earlier than two years
12 after the reorganization closes.

13 Q Okay. So I think that's -- so the
14 beginning timeline is the close of the transaction?

15 A Auh-huh.

16 Q Then new rates could possibly take effect
17 two years after that close of the transaction; is
18 that correct?

19 A That's my reading of this commitment, yes,
20 ma'am.

21 Q And could you clarify exactly what you
22 consider to be the closing of the transaction, for

1 example.

2 So if the Commission enters an order
3 on July 6th approving the merger, does the
4 transaction close that day? Does it take several
5 weeks? A couple months? How long does it take?

6 A Well, my interpretation of this commitment
7 is that when you talk about the reorganization
8 closing, reorganization closing is the same as the
9 financial closing of the merger that you and I have
10 been talking about.

11 So, for example, if the company met
12 all of the conditions present at the closing, the
13 merger, then -- and then closed the merger on -- I
14 will make up a date -- September 30th of this year,
15 it would be two years from that date.

16 Q Okay. So it sounds to me as though you're
17 saying, and correct me if I'm wrong, so once you get
18 approval from the Commission -- first let me preface
19 that.

20 Is it correct that the Illinois
21 Commission is the last Commission to weigh in on all
22 of the necessary approvals that Wisconsin Energy

1 needs in terms of the schedules that you are aware of
2 in terms of getting approval for the merger?

3 A They may be. I'm not sure.

4 Q You're not sure. Okay.

5 So after an order is issued in
6 Illinois -- let's assume for purposes of my question
7 that Illinois is the last.

8 So do you have an understanding or can
9 you give us an idea of how long it takes once the
10 merger is approved by the Illinois Commission to
11 close the transaction, so to speak, given that that
12 is the starting point for that two-year commitment?

13 A I can't really say because I don't know
14 what the other conditions precedent to closing would
15 still be outstanding at the time that the Illinois
16 Commission gave approval for the reorganization, so I
17 can't really say.

18 Q When you reference "conditions," are you
19 talking about any conditions approved in this merger
20 or any other conditions?

21 A Well, when I talk about conditions,
22 precedent to closing the merger, I mean the

1 conditions president that were laid out in the merger
2 itself.

3 Q Okay. And so if you have any expectation
4 as the president of Wisconsin Energy, do you expect
5 that to be completed by the end of the summer? Early
6 fall? Do you have any idea, sitting here today?

7 A Well, what we said publicly is that we
8 would expect the merger to close in the second half
9 of 2015, so that's as precise as we've been.

10 Q Okay. So would you agree then that given
11 that merger commitment that the company would be able
12 to file for a rate case 11 months prior to that
13 two-year anniversary of the closing of the
14 transaction, assuming that it takes 11 months to
15 complete a rate case?

16 A Yes.

17 Q And would you accept, subject to check,
18 that Peoples Gas and North Shore have filed rate
19 cases in 2007, 2009, 2011, 2012 and 2014?

20 A Yes.

21 Q In your view, does your two-year rate
22 commitment constitute anything more than business as

1 usual given that rate case filing history of
2 essentially every two years?

3 A Could you repeat the question.

4 Q Given that rate case filing history, would
5 you agree that your rate freeze commitment amounts
6 to, essentially, business as usual in terms of the
7 frequency of filing rate cases?

8 A No.

9 Q So is it your testimony then that you're
10 likely to wait longer than 11 months prior to the
11 two-year anniversary of the closing of the
12 transaction to file a rate case?

13 A No.

14 Q Why is it that you believe that it's
15 not -- that it's better than -- it's not business as
16 usual?

17 A Well, I don't believe during all of the
18 periods that you were mentioning going back to '07, I
19 don't believe that Rider QIP, the AMRP program and
20 the associated recovery with QIP, I don't believe
21 those were in place during those time periods.

22 So in this time period, they will be.

1 Q Is it your understanding that there was no
2 infrastructure rider in place at all between 2007 and
3 2015?

4 A Repeat the question.

5 Q Is it your understanding that there was no
6 infrastructure rider in place between 2007 and 2015?

7 A I think in some years there were riders and
8 other years there were not.

9 Q So are you saying that the existence of
10 Rider QIP is likely to extend the time between the
11 filing of rate cases?

12 A No.

13 Q If you could, please, turn to your
14 Exhibit 15.0.

15 A Okay. That's my surrebuttal testimony,
16 just to be clear?

17 Q Yes. Lines 147 through 149. There you
18 discuss your disagreement with Mr. Lounsberry and
19 Mr. Coppola about the level of due diligence
20 performed by Wisconsin Energy as to the AMRP.

21 Do you see that there?

22 A Yes.

1 Q Now, and you state that you believe that
2 Mr. Coppola and Mr. Lounsberry have a different view
3 than yourself on the type of due diligence that
4 should have been done related to the AMRP?

5 A Yes, I state it's evident that they have a
6 different view of what type of due diligence should
7 be performed.

8 Q Do you recall reading Mr. Lounsberry's
9 direct testimony in this case?

10 A No.

11 Q Do you recall him quoting an AG data
12 request regarding -- that inquired about a level of
13 due diligence review related to the AMRP?

14 A No.

15 Q AG Cross-Exhibit 3 is the Joint Applicants'
16 response to Illinois Attorney General set of data
17 requests numbered 4.01.

18 Are you familiar with this response?

19 A I have read it as you gave it to me.

20 Q Okay. Now, this response or this request
21 asked for the Company to state whether or not in its
22 due diligence review or other discussions and

1 analysis of Peoples Gas and Coke Company Wisconsin
2 Energy or the Joint Applicants have requested Peoples
3 Gas to provide a detailed work plan of the
4 Accelerated Main Replacement Program. And if you ask
5 to provide a copy. And this response indicated that
6 either WEC or Peoples Gas nor any -- I'm sorry --
7 neither WEC or any Joint Applicant requested Peoples
8 to provide a detailed work plan of the AMRP as part
9 of its due diligence review.

10 Is that your understanding that that
11 statement is correct?

12 A Yes.

13 Q And was this response prepared by you or
14 under your supervision or can you substantiate that
15 this is the position of Wisconsin Energy?

16 A This is a correct response.

17 Q Okay. Now, were you personally involved in
18 WEC's review of Peoples Gas AMRP?

19 A I was personally involved in the due
20 diligence that we did associated with the purchase of
21 Integrals.

22 Q Okay. But my question was:

1 Were you involved in any examination
2 of Peoples' Gas' AMRP as part of WEC's due diligence?

3 A We didn't do a specific examination of the
4 AMRP.

5 Q Okay. Would you agree -- first, let me ask
6 you: You were a participant on behalf of WEC in the
7 Company's most recent, I think it was dated
8 February 11th call for investors; is that correct?

9 A Yes.

10 Q And in that call, do you recall the CEO of
11 WEC describing for investors a rolling tenure capital
12 budget of 6.6 billion to \$7.2 billion?

13 A Yes.

14 Q Is it fair to say that information
15 regarding forecasted capital expenditure budgets are
16 a concern of both WEC and its investors?

17 A There of interest to both.

18 Q Would you agree that given investors'
19 interests in future capital investment plans of a
20 corporate entity that understanding the capital
21 expenditure commitments of a utility that you're
22 considering acquiring should be part of the due

1 diligence requirements of the acquiring company?

2 A Could you repeat the question.

3 Q Would you agree that given investors'
4 interest in future capital investment plans of a
5 corporate entity that understanding the capital
6 expenditure commitments of a utility that you're
7 considering acquiring should be part of the due
8 diligence requirements of an acquiring company
9 considering you indicated that you agree that it is
10 of interest to both WEC and investors?

11 A I think it's an important part of the due
12 diligence process to understand what the projected
13 capital spending levels are at the utilities.

14 Q And presumably that includes the projected
15 capital expenditures of Peoples Gas; would you agree?

16 A Yes, it's one of the Utility's subsidiaries
17 of Integrys.

18 Q And would you agree that Peoples Gas' AMRP
19 directly impacts the level of capital expenditures of
20 Peoples Gas in the coming years?

21 A Yes.

22 Q Would you agree that understanding

1 independently assessed problems to the extent they
2 exist, such as those discussed by an independent or
3 internal auditor of a major utility infrastructure
4 construction program that you're -- the company of
5 which you're considering acquiring, should be part of
6 a due diligence requirements of an acquiring company?

7 A It depends.

8 Q What does it depend on?

9 A On the specific circumstances.

10 Q And would those circumstances depend
11 on -- would whether or not a construction program has
12 been viewed as troubled by the Commission regulating
13 that utility that that perhaps would have suggested
14 examination of internal audits of that construction
15 program?

16 A If something was financially material at
17 the Integrys level, it should have been disclosed in
18 their Exchange Act filings.

19 Q And did Integrys disclose any information
20 about its AMRP or any perceived problems as judged by
21 the Illinois Commerce Commission or independent
22 auditors concluding its own internal auditors to WEC

1 as part of the negotiations for the acquisition?

2 MR. EIDUKAS: I'm just going to object to the
3 form of the question. It was compound. There was a
4 lot of items in there. I was wondering if the
5 question could be rephrased.

6 MS. LUSSEN: Sure. I will have to break it up
7 here.

8 Actually, can I have the question read
9 back.

10 (Whereupon, the record was read
11 as requested.)

12 MS. LUSSEN: It was quite a long sentence.

13 MR. EIDUKAS: It was.

14 BY MS. LUSSEN:

15 Q Did Integrys disclose to Wisconsin Energy
16 any information related to rulings or orders by the
17 Illinois Commerce Commission assessing Peoples Gas'
18 performance of the AMRP?

19 A Well, I was aware of what is referred to in
20 the hearing here as the 2012 rate case where the
21 Commission started an audit process --

22 Q Auh-huh.

1 A -- of the AMRP program. So I was aware
2 that. We were aware of that.

3 Q Did Integrys disclose that it had hired its
4 own internal auditor, Pricewaterhouse Coopers to
5 conduct an internal audit during, I believe, 2012 and
6 2013?

7 A I don't recall.

8 Q Would you agree that some assessment of the
9 future risk of a utility incurring fines and
10 penalties as part of a major utility infrastructure
11 construction program that are ultimately charged to
12 shareholders should be a part of any due diligence of
13 a company considering acquiring that utility?

14 A It depends.

15 Q And what does it depend on?

16 A The level of financial materiality.

17 Q And did Wisconsin Energy examine whether or
18 not Peoples Gas had incurred any fines and penalties
19 as part of its AMRP as part of its due diligence?

20 A No.

21 Q Now, I recall -- I believe it's in your
22 rebuttal testimony, you attached a Pricewaterhouse

1 Coopers audit report.

2 Do you recall that document as an
3 attachment to your rebuttal testimony or is that
4 Mr. Giesler?

5 A Right.

6 Q Okay. Did you or anyone at Wisconsin
7 Energy review any of the internal Pricewaterhouse
8 Coopers audit reports referenced in Mr. Lounsberry's
9 testimony during the Wisconsin Energy due diligence
10 review?

11 A I didn't review them.

12 Q Did anyone at Wisconsin Energy, to your
13 knowledge?

14 A I don't know.

15 Q Would any of the other witnesses, Wisconsin
16 Energy witnesses appearing in this case, know the
17 answer to that question?

18 A I don't know.

19 Q And would Mr. Lauber be the only or I would
20 also include Mr. Hesselbach be witnesses to inquire
21 about due diligence or would it just be you?

22 A Well, Mr. Hesselbach wasn't involved in the

1 due diligence.

2 Q Was Mr. Lauber?

3 A Yes.

4 Q You indicated, I believe, that you were
5 familiar with the 2012 order that initiated the
6 audit; is that correct?

7 A I'm familiar only that in that rate case
8 the Commission started an audit.

9 Q Okay. Have you ever reviewed that order
10 before?

11 A No.

12 Q Can I show you a copy of that particular
13 finding and ask you some questions about what you
14 knew. I'm handing you two documents that I will mark
15 as AG Cross-Exhibits 4 and 5.

16 But, your Honor, they are portions of
17 an order, so I'm not necessarily going to be
18 introducing them as exhibits, but I will mark them.

19 So this is 4 and this will be 5. And
20 I'm including as AG Cross-Exhibit 5 a portion of
21 Mr. Staff Witness Buxton's testimony because it is
22 specifically referenced in the Commission's analysis

1 and conclusion language as a basis for its decision
2 related to the audit.

3 So first let me ask you: Would you
4 accept, subject to check, this is a correct portion
5 of that Commission's 2012 order?

6 A Yes.

7 Q Now, if you look at the fourth paragraph on
8 that Page 61. It says "for reasons detailed in Staff
9 Witness Buxton's rebuttal testimony and immediately
10 above, the Commission adopts Staff's proposed
11 two-phase investigation of the AMRP."

12 That, I'm assuming, is what you were
13 referencing when you said you were familiar with the
14 audit requirement that was ordered in this docket?

15 A Yes.

16 Q So if you could turn to AG Cross-Exhibit 5
17 and look at pages -- the bulleted items on Pages 23
18 and 24. This seems to be the reference to the
19 rationale provided by the Commission approving the
20 audit.

21 Can you take a look at that.

22 MR. EIDUKAS: Your Honor, I'm going to object

1 to the line of questioning on AG Cross-Exhibit 5 as
2 being outside the scope of this proceeding and
3 irrelevant to this proceeding because the prior
4 testimony or findings with respect to the Commission
5 with regard to past practices occurrences with
6 Peoples Gas AMRP are not relevant to whether or not
7 approving this organization is going to have an
8 adverse impact going forward; and therefore, it would
9 be irrelevant and immaterial to this proceeding.

10 MS. LUSSON: Your Honor, this witness has
11 testified and taken issue with concerns about the due
12 diligence review by the acquiring company.

13 And this testimony in Mr. Buxton's
14 excerpt and Commission order, I'm simply trying to
15 lay a foundation for questions related to that due
16 diligence review.

17 Specifically, I would like to inquire
18 as to whether or not Mr. Leverett understood that the
19 Commission had made those conclusions about the state
20 of the AMRP as part of its due diligence review.

21 MR. EIDUKAS: And I'll just add to that.

22 And I apologize if it was in the

1 question and I missed it, but I also don't think I
2 heard the question about whether Mr. Leverett had
3 reviewed or seen this document before, so there also
4 might be a foundational issue. But if that was part
5 of the question, I apologize if I missed it.

6 MS. LUSSON: So I'm referencing -- I'm
7 providing him a copy of the referenced information
8 that was relied upon to approve the audit.

9 And what I want to ask is if
10 Mr. Leverett was aware, as part of his due diligence
11 review, that the Commission had concluded that these
12 problems existed as outlined in Mr. Buxton's
13 testimony and served as a basis for the audit.

14 It goes to whether or not the company
15 did appropriate due diligence and, in fact, is ready,
16 willing and able to assume the duties for the
17 oversight of the AMRP.

18 So, basically, I'm trying to lay a
19 foundation to ask him certain questions as to whether
20 or not he knew what was concluded by the Commission,
21 and then I'll move on, your Honor.

22 JUDGE DOLAN: Under that circumstance, I will

1 overrule the objection.

2 Go ahead.

3 BY MS. LUSSON:

4 Q So looking at the bottom of Page 23,
5 Mr. Leverett, did you know, as part of your due
6 diligence review, that the Commission concluded when
7 it issued this 2012 rate order that Peoples does not
8 have a detailed AMRP plan?

9 A At what point in time are you asking that
10 question?

11 Q As part of your due diligence review prior
12 to making your announcement of your proposed merger?

13 A And then repeat the question.

14 Q Did you have understanding, as part of your
15 due diligence review, that the Commission had
16 concluded that Peoples does not have a detailed AMRP
17 plan?

18 A No, I did not.

19 Q Did you know, as part of your due diligence
20 review, that that Peoples Gas tested an annual AMRP
21 budget based on unspecified criteria and then
22 designed its AMRP work for the year to consume that

1 budget?

2 MR. EIDUKAS: Well, again, I'm going to object
3 because in terms of the question this was testimony
4 that was provided back in January of 2013, and there
5 is no indication about the timing of where Ms. Lusson
6 is asking these circumstances to have existed of
7 Mr. Leverett.

8 JUDGE DOLAN: I think you have to lay a better
9 foundation because these are not current. I mean,
10 these are the findings that the Commission had at
11 that time, but there has been another rate case come
12 through, so...

13 MS. LUSSON: Right. If you give me just a
14 little more leeway, Judge, I think I can connect the
15 dots here.

16 JUDGE DOLAN: I will give you a little leeway.

17 MS. LUSSON: Thank you. I appreciate it.

18 BY MS. LUSSON:

19 Q You'd agree this order was entered in 2013,
20 if you would accept that, subject to check.

21 A Yes.

22 Q So at that time, would you agree that the

1 Commission had decided, as it states in the order,
2 for reasons detailed in Staff Witness Buxton's
3 rebuttal testimony, Pages 23 and 24, and the
4 information described above, that the Commission was
5 adopting Staff's proposed two-phase audit approach;
6 would you agree with that?

7 A I was aware that the Commission had ordered
8 a two-phase audit.

9 Q So looking at this information that served
10 as the basis for this Commission's decision, my
11 question having looked -- if you could look over
12 those bullet items -- did you or any of the WEC
13 personnel involved in the due diligence review
14 understand that the Commission had made these
15 findings that these problems existed in 2013?

16 A I was aware of an audit.

17 Q Okay. But not necessarily the specific
18 findings that justified -- that the Commission
19 believed justified the audit?

20 A I was aware of an audit.

21 Q So is that a "yes"?

22 A I was aware of an audit. That's all I can

1 tell you.

2 Q Okay. Do you agree with Staff Witnesses
3 Stoller's public statement in the public version of
4 his rebuttal testimony that quote: "At this point,
5 his reading of the attached Liberty Interim Audit
6 Report indicates that there are, in Liberty's
7 opinion, several problems with the way Peoples Gas
8 has conducted AMRP"?

9 A Is there a specific -- I mean, I don't have
10 his testimony.

11 MR. EIDUKAS: I would object on foundation
12 grounds. If there is a document, maybe she can show
13 the witness.

14 BY MS. LUSSON:

15 Q Let me ask you this:

16 Do you agree that you're the witness
17 that testified about Wisconsin Energy's readiness,
18 willingness and ability to implement Liberty audit
19 findings; is that right?

20 A Yes. I reviewed the report, the interim
21 report.

22 Q Were you aware that the cost of the

1 program, as part of your due diligence review, had
2 escalated from an original estimation of 2.2 billion
3 to over 4 billion?

4 A Integrys management discussed with us the
5 projected cost of the program.

6 Q And what, if you recall, what did they
7 identify the projected costs to be?

8 A I don't recall.

9 Q Did you inquire as to whether, as part of
10 your due diligence review, whether the program was on
11 schedule to be completed by 2030?

12 A I recall that the management told us they
13 had a goal to complete it by 2030.

14 Q And as part of your due diligence review,
15 did you inquire as to what level of capital
16 investment would be needed for Peoples Gas over the
17 next 15 years post-acquisition to satisfy that 2030
18 AMRP goal, as you called it?

19 A I believe that Integrys management provided
20 a projection of the spending.

21 Q And was that a three-year projection? A
22 five-year? Was it multiple decades?

1 A I believe it was an a ten-year projection.
2 That's what they disclosed publicly, is my
3 recollection, a ten-year projection.

4 Q And when you say they disclosed that
5 publicly, in what form was it publicly disclosed?

6 A My recollection is they had disclosed it in
7 presentation dec's they had given to investors.

8 Q Now, at Lines 151 to 154 of your
9 surrebuttal testimony, I believe. Yeah,
10 Exhibit 15.0, you indicate that you agree with
11 Mr. Lounsberry's conclusion that any due diligence
12 concerns have been addressed by Wisconsin Energy's
13 review of the Liberty Interim Report produced by
14 Staff Witness Stoller.

15 Do you see that?

16 A I do.

17 Q Is it typical for an acquiring company to
18 perform due diligence on a utility's major
19 infrastructure construction program after the
20 acquisition has been announced to stock holders and
21 investors at large?

22 A It would be typical to look at all the

1 material, the financial material items beforehand.

2 Q What financial recording items are you
3 talking about?

4 A Well, any items that are financially
5 material, as I was discussing before. Any items that
6 are financially material should be in the Exchange
7 Act filings and we would have had access to those.

8 Q Did you read the Liberty Interim Report in
9 detail?

10 A You have to explain what you mean by "read
11 in detail"? What does that mean?

12 Q Did you read it cover to cover the document
13 that was attached to Mr. Stoller's testimony?

14 A I read the summary in detail. I can't say
15 that I memorized every single page.

16 Q The summary would that have been 1 through,
17 I believe, 5 pages?

18 A Can I see it please. Can you repeat the
19 question.

20 Q When you say you read the summary, would
21 that have been the S-1 through S-7 pages which is
22 then followed by the covers as it appeared in

1 Mr. Stoller's submission?

2 A I believe I'm aware of the major
3 conclusions of this report.

4 Q Did you actually read the auditor's
5 assessment of the problems and recommended actions in
6 the report?

7 A I'm aware of the major conclusions of the
8 report, so that's what I'm aware of.

9 Q Okay. Did you read them or did someone
10 else advise you about them to make you aware?

11 A As I stated before, I read the summary and
12 then I became aware or was made aware of the major
13 conclusions and it was reviewed with me.

14 Q And how did you become aware of the major
15 conclusions, from reading the summary or did someone
16 discuss it with you?

17 A From reading the summary.

18 MS. LUSSON: At this time, your Honor, we need
19 to go in camera.

20 JUDGE DOLAN: Okay. Is there anyone that has
21 to leave the room?
22

1 (Whereupon, the following in camera.
2 proceedings were had.)
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